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국제학석사학위논문

**Impact of Eurozone Crisis on EU Climate Change Leadership
Through the Lens of Multi-Level Governance**

다층적 거버넌스 시각으로 본
유로존 경제위기가 EU 기후변화 리더십에 미치는 영향

February 2015

서울대학교 국제대학원

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Impact of Eurozone Crisis on EU Climate Change Leadership
Through the Lens of Multi-Level Governance

A thesis presented

by

Hyun-Jeong Choi

to

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Abstract

Impact of Eurozone Crisis on EU Climate Change Leadership Through the Lens of Multi-Level Governance

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Climate change is without question one of the biggest challenges that the world has faced. Yet, solving this collective action problem has made slow progress in international negotiation. In coping with this complex climate change problem, effective leadership often plays a critical role and the European Union has developed into a successful leader in international climate politics despite its seemingly structural deficiency with multi-level governance.

However, since the sovereign debt crisis in the Euro area occurred in late 2009, many are worried if global climate regime would lose the biggest leader. Since the EU remains as the only influential leader in global climate change politics, whether even the EU will step back from the climate leadership position in the face of economic crisis, therefore, became a burning question. Due to its symbolic importance, this study intends to answer the question “why and how does the

EU's economic crisis affect on EU's climate change leadership?" First of all, this paper explains the factors of the EU's successful leadership in climate change politics from an actor-focused perspective, and goes through what has happened in the factors after the Eurozone crisis started. Finally, it made a conclusion on the impact of the Eurozone crisis on the EU's climate leadership by taking all the changes of the successful factors into consideration.

Briefly, this study has found that the Eurozone crisis has diverged EU not only in its economic situation, but also in climate policy making, and that the crisis has both directly and indirectly hampered EU's leadership in international climate politics. However, it is noteworthy that the analysis of this study is only limited to the changes inside Europe after the Eurozone crisis broke out, and thus, additional studies will be needed on other candidate countries for climate leader such as the US and China in order to diagnose EU climate leadership in a right way because EU's leadership position depends not only on the EU's climate change initiatives but also on behaviors of other competitive actors in the regime.

Keywords: EU Climate change leadership, Eurozone crisis, Multi-level governance

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Acronyms

Alliance of a Competitive European Industry (ACEI)

Certified Emission Reductions (CERs)

Confederation of European Business (BusinessEurope)

EU allowances (EUAs)

EU Emission Trading System (EU-ETS)

European Central Bank (ECB)

European Monetary Union (EMU)

European Renewable Energy Council (EREC)

European Stability Mechanism (ESM)

European Union (EU)

Greenhouse Gas Emission (GHG Emission)

Intergovernmental Panel on Climate Change (IPCC)

Land Use activities and Land-Use Change and Forestry activities (LULUCF)

Nongovernmental Organization (NGO)

The Single European Act (SEA)

World Trade Organization (WTO)

Table of Contents

Abstract	i
Acronyms	iii
Chapter I INTRODUCTION.....	1
1. Research Background.....	1
2. Research Question.....	3
Chapter II ANALYTICAL FRAMEWORK	6
1. Literature Review	6
2. Theoretical Framework	12
Chapter III EU MULTI-LEVEL GOVERNANCE AND CLIMATE CHANGE LEADERSHIP	18
1. “Joint-decision trap” in EU multi-level system.....	18
2. Factors behind the successful EU leadership in Climate Change	19
Chapter IV EUROZONE CRISIS AND ITS IMPACT ON EU CLIMATE CHANGE POLICY-MAKING	33
1. Impact on EU Institutions	35
2. Impact on Member States.....	37
3. Impact on Business groups.....	41
4. Impact on Public Opinion	45
Chapter V EU DIVERGENCE AND ITS IMPACT ON EU CLIMATE CHANGE LEADERSHIP	51
1. Impact on EU Structural Leadership.....	52
2. Impact on EU Directional Leadership.....	56
3. Impact on EU Instrumental Leadership.....	62
Chapter VI CONCLUSIONS	65
1. Conclusions	65
2. Implications.....	67

Bibliography.....	71
국문초록.....	81

<TABLE>

Table 1. Types of EU climate leadership

Table 2. Selected member states' responses to the European Commission's green paper for 2030 climate and energy framework

Table 3. What industry wants and what gets for 2020 energy and climate package

Table 4. What industry wants and what gets from 2030 energy and climate framework

Table 5. Public opinion on climate change and economic situation (2008 vs. 2013)

<FIGURE>

Figure 1. EU multi-level climate governance

Figure 2. Real GDP growth rate in Euro Area Countries

Figure 3. Evolution of the Unemployment Rate in Euro Area Countries

Figure 4. Number of European Council meetings dealt with climate issue

Figure 5. Impact of Eurozone crisis on EU climate policy making

Figure 6. Impact of Eurozone crisis on EU climate leadership

Figure 7. EU share of global GDP (2005-2013)

Figure 8. The CO₂ emissions from the top 4 emitters

Figure 9. EU-28 GHG emissions 1990-2012 (excl. LULUCF)

Figure 10. Price trends for EUAs and CERs (2005-2012)

Chapter I INTRODUCTION

1. Research Background

Climate change is without question one of the biggest challenges that the world has faced. According to Intergovernmental Panel on Climate Change (IPCC), “warming of the climate system is unequivocal, as is now evident from observations of increases in global average air and ocean temperatures, widespread melting of snow and ice and rising global average sea level.”¹ Despite the strong scientific consensus that this climate change is actually happening and the consequences of it will be very serious, solving this collective action problem has turned out to be very difficult and has made slow progress in international negotiation. In coping with this complex climate change problem, effective leadership often plays a critical role as Underdal emphasized the importance of leadership in an international negotiation setting, arguing that “the more complex the negotiation setting, the more likely that some actors will emerge as leaders and others as followers, and the more critical leadership becomes as a determinant of success”.² Young

¹ Climate Change 2007: Synthesis Report (accessed November 3, 2014); Available from http://www.ipcc.ch/publications_and_data/ar4/syr/en/spms1.html

² Arild Underdal, “Leadership Theory : Rediscovering the Arts of Management,” in *International Multilateral Negotiation : Approaches to the Management of Complexity*, ed. W.I.Zartman (San Francisco: Jossey-Bass Publishers, 1994), 179-180

also argues that the presence of leadership is a “necessary condition” for success in reaching agreement although it is not a sufficient condition.³

The European Union (EU) has developed as a successful leader in international climate change politics although it was originally set up as a ‘leaderless Europe’ (Heyward 2008) in which decision-making powers are spread amongst a wide range of EU institutional, member states and societal actors.⁴ Especially in the negotiations on the Kyoto Protocol in 1997, the EU’s leadership began to come through by proposing the biggest carbon emission cuts and accepting the highest reduction target among industrialized countries. In 2005, EU introduced EU-ETS as an emission trading mechanism in order to reduce carbon emission in an efficient way in the region. Moreover, EU has ambitiously changed their energy mix by itself by increasing their renewable energy portion while decreasing fossil fuel energy. Likewise, EU has exercised the leadership by establishing global norm to respond the climate change, proposing effective climate change policies and setting an example to the world.

However, since 2009 when the problems of Greece have been increasingly

³ Oran Young, “Political Leadership and Regime Formation: On the Development of Institutions in International Society, *International Organizations* 45, no.3 (1991), 302

⁴ Wurzel, R. & Connelly, J. (2011). *The European Union as a Leader in International Climate Change Politics*. UACES Contemporary European Studies: ROUTLEDGE.

publicized, many are worried if global climate regime would lose the biggest leader.⁵ As the EU has been the only influential leader in global climate change politics after the withdrawal of the US from the Kyoto Protocol in 2001, and especially after Japan announced that it would not join a new Kyoto protocol in 2011 when Fukushima accident hardly hit Japan, whether even the EU will step back from the climate leadership position in the face of economic crisis, therefore, became a burning question. Thus, the change of EU's climate leadership after the crisis is worthy of investigating, due to its symbolic function as the only influential leader in global climate change politics. Moreover, study on the EU's climate policy change will enable us to understand comprehensive changes in the EU after the Eurozone crisis since climate change policy is strongly linked to other policy area such as economic, energy and social policies as well.

2. Research Question

The central research question of the paper is “Why and how does the EU's economic crisis affect on EU's climate change leadership?”

Regarding the relationship between economic crisis and climate change policy,

⁵Heather Horn, “As Euro Crisis worsens, global climate efforts lose biggest leader”, the Atlantic, December 6, 2011, accessed September 18, 2014, <http://www.theatlantic.com/international/archive/2011/12/as-euro-crisis-worsens-global-climate-efforts-lose-biggest-leader/249481/>

pessimists argue that economic crisis may negatively affect on climate policy because governments are likely to avoid laying a burden on business and industry with extra costs and regulation at a time when the economy is in recession and jobs may be at risk. They assume, therefore, a political will to implement ambitious climate change policy will be weakened in the short term, and political attention to long-term agreement will be also reduced.⁶ On the other hand, optimists, exactly opposite from the pessimists' argument, argue that climate change provides an opportunity for a large programme of development and investment in low-carbon technologies that, in turn, could provide a way out of the recession.⁷

Then, how has the recent Eurozone economic crisis affected on policy making? Has it been negative or positive to the EU's climate policy? How does it affect on EU's climate change leadership in global climate change politics? In order to answer this question, first of all, I will investigate the factors of the EU's successful leadership in climate change politics from an actor-focused perspective, and nextly go through what has happened in the factors after the Eurozone crisis started. Finally, I will draw a conclusion on the impact of the Eurozone crisis on the EU's climate leadership by taking

⁶ Peter Wooders and David Runnalls, *The Financial Crisis and Our Response to Climate Change*, An IISD Commentary (2008), 1

⁷ Greenpeace, *Energy [r]evolution, A Sustainable EU-27 Energy Outlook*, Greenpeace International (2008)

all the changes of the successful factors into consideration.

Throughout the research, I will try to prove the hypothesis that positions among decision making powers would become greatly divergent after the Eurozone crisis and the growing divergence would negatively affect on EU climate leadership by lowering credibility on EU leadership factors.

Chapter II ANALYTICAL FRAMEWORK

1. Literature Review

Tackling climate change requires long term political leadership and a sustained pattern of policy innovation⁸ and EU has been taking the leadership role in dealing with global climate change. Then, what does it mean by exercising leadership and how can we evaluate EU's leadership in climate change regime? Previous literatures have used many different terms to describe leadership⁹: structural, coercive, carrots and sticks approaches, resource-based, entrepreneurial, instrumental, problem-solving, exemplary, intellectual, unilateral, directional, idea-based, cognitive, symbolic leadership. Although the terminology varies, three main modes of leadership can be identified – structural leadership, directional leadership, instrumental leadership.

Structural leadership, also referred as resource-based leadership, generally rests on the ability to take actions or deploy power-resources that create incentives, costs and benefits in a particular issue area¹⁰. This type of leadership often uses material resources to influence others. Directional leadership, also referred as exemplary leadership, builds

⁸ Miranda A. Schreurs and Yves Tiberghien, *Multi-Level Reinforcement : Explaining European Union Leadership in Climate Change Mitigation*, *Global Environmental Politics* 7:4 (2007) 19

⁹ Young 1991, Underdal 1994, Malnes 1995, Gupta 2000, Parker and Karlsson 2010, Wurzel and Connolly 2011

¹⁰ Young 1991, 288-289, Underdal, 1994, 186

on ‘leading by good example’ and can be exercised by taking unilateral action and providing an exemplary model to others.¹¹ Lastly, instrumental leadership, also referred to as an idea-based leadership or an entrepreneurial leadership, is concerned with problem naming and framing and the promotion of particular policy solution. This instrumental leadership builds on diplomatic, negotiating and bargaining skills in facilitating agreements.¹²

Types of leadership	Examples
a) Structural leadership - Relates to the actor’s hard power and depends on its material resources	Economic strength Population Carbon emission size
b) Directional leadership - Rests on taking unilateral action and leading by example	Early adoption and implementation of EU-ETS 20-20-20 by 2020 plan
c) Instrumental leadership - Relates to diplomatic and negotiating skills in facilitating agreements and the definition and/or redefinition of interests through ideas	The concept of ecological modernization Climate policy goal setting : No more than 2 degree Celsius above the pre-industrial level

Table1. Types of EU climate leadership

¹¹ Underdal 1994, pp.183-185; Gupta and Ringius, 2001; Kilian and Elgström 2010, p.260

¹² Young, 1991; Malnes, 1995

Then how exactly has the EU led the global climate change regime? Many scholars explain that the EU has deployed in all three modes of leadership in important ways, but it has primarily staked its leadership claim on leading by example (Parker & Karlsson 2010, Kilian & Elgstrom 2010).¹³

First of all, the EU's market size itself is a structural power which makes the EU possible to exert structural leadership. The EU's vast internal market underpins all Union action with a valuable resource, provides it with a powerful bargaining chip, and gives it an excellent means for potentially creating and altering incentives. The sheer scale of the EU market means that EU can offer and take actions that will have a dramatic environmental impact. For example, it was the EU's structural leadership that made the Kyoto Protocol possible to enter into force despite the US's withdrawal. The EU's support for Russian WTO (World Trade Organization) membership was the final carrot that induced Russia to ratify the Kyoto Protocol, which paved the way for Kyoto to enter into force¹⁴. Structural leadership is generally based on economic resources, however in relations to an issue area of climate change, structural leadership is expected to relate also

¹³ Charles F. Parker and Christer Karlsson, *Climate Change and the European Union's Leadership Moment : An Inconvenient Truth?*, Uppsala University (2010) 6

¹⁴ John Vogler, *The European contribution to global environmental governance*, *International Affairs*, 81(4) (2005) 849

to the size of both present and future emissions.¹⁵ Put simply, the more emissions a country emits, the higher the potential of decreasing emissions. This, in turn, means more structural power on the negotiation table.¹⁶ However, the structural power related to carbon emissions has decreased as emerging countries such as China has taken the largest share of carbon emission in the world with its rapidly emerging economies.

The EU has been also an active policy entrepreneur for climate protection, working hard to make its voice heard on problem definition, agenda setting issues, problem solving goals, and promoting policy solutions regarding the climate threat. For example, in 1996, the European Council endorsed the goal that global warming must be limited to no more than 2 degree Celsius (2°C)¹⁷ above the pre-industrial level.¹⁸ Since then, the 2°C target has become a symbolic number that the world must achieve in order to prevent climate change from having irreversible impacts, and also become an immensely powerful symbol of the EU's leadership which provides a signal to others that the EU is strongly committed to mitigation.¹⁹ Additionally, the EU has laid out its vision

¹⁵ Grubb & Gupta, *Leadership. Theory and Methodology* in Gupta & Grubb (eds) *Climate Change and European Leadership. A Sustainable Role for Europe?*, Kluwer Academic Publishers, (2000b) 19

¹⁶ Bertil Kilian and Ole Elgstrom, *Still a green leader? The European Union's role in international climate negotiations* (2010) 260

¹⁷ Originally, the 2°C target was expected to be the level that could avoid the catastrophic consequence of global climate change. However, different from the expectation in 1996, according to the IPCC's fourth assessment report holds that the 2°C target will not only be difficult to achieve, but also too high to fulfill the objective of preventing dangerous climate change (Parry et al. 2009; Smith et al. 2009; Rogelj et al. 2009)

¹⁸ Parker and Karlsson 2010, 9-10

¹⁹ Andrew Jordan et al. 2010, 270-271

for how the goal should be met and how the burden should be shared among the developed and developing countries.²⁰

Lastly, directional leadership has been the most crucial mode of EU leadership. The EU has taken unilateral action by making the first move in putting future commitments on the table and putting into place policy instruments, such as the EU Emission Trading Scheme (EU-ETS), ahead of others. Moreover, at its 2007 Spring Summit the EU launched its 20-20-20 by 2020 plan, in which the EU committed to reduce its own emissions by 20%, increase its share of renewable energy to 20% and improve its energy efficiency by 20% by 2020. Likewise, EU has tried to credibly ask others to act as well by showing exemplary actions.²¹

However, international EU leadership aspirations seem to have a rather hard landing in Copenhagen. The EU proved to have very limited influence in the negotiation, failing in building the post-Kyoto climate architecture. One possible reason behind this would be to argue that the EU lacked sufficient hard power (i.e. structural power) and was therefore unable to provide structural leadership in international climate change politics. That is, The EU's overreliance on soft power (i.e. directional and instrumental leadership) was insufficient to persuade powerful countries such as the US and China to accept the

²⁰ Parker and Karlsson 2010, 9-10

²¹ Parker and Karlsson 2010, 7-9

EU's preferences.²² Nye makes a similar point when he argues that effective leadership requires a mixture of soft and hard powers skills which he calls 'smart power'.²³ Furthermore, Seran Kim suggests how other competitive actors in the regime and the external factors such as credibility loss of the IPCC and global financial crisis have limited the EU leadership in its policy implementation at the Copenhagen Accord contrary to the Kyoto Protocol²⁴. The reason for the failure in Copenhagen can be found not only in external events, but also in different interests among the member states. The EU could not make one voice due to the deficiencies in internal institutional set-up that mandates are adopted through unanimity and that member states have the right to negotiate individually, ending up in marginalizing rather than exerting leadership in the summit.²⁵

On the other hand, EU climate leadership seems to be faced with unexpected difficulty with the recent eurozone crisis as the crisis has aroused skepticism on EU, which has long been acclaimed as the most developed model of regional integration. The likely economic adjustments are threatening social cohesion and political stability in

²² Rüdiger K.W. Wurzel and James Connelly, *The European Union as a Leader in International Climate Change Politics*, Routledge (2011) 286-287

²³ Joseph Nye, *The Powers to Lead*, Oxford: Oxford University Press (2008) 41

²⁴ Seran Kim, *The EU leadership on climate change regime : a comparative study on the process of entering into force of Kyoto protocol and taking note of Copenhagen accord*, SNU (2013)

²⁵ Monica Alessi, Anton Georgiev, & Christian Egenhofer, *Messages from Copenhagen, Assessments of the Accord and Implications for the EU* (2010)

Europe.²⁶

Many previous studies have dealt with the EU's leadership role and performance in climate change regime since the early 1990s to 2000s, but only a few studies have been made about the EU's weakening influence. Moreover, most of them have discussed on the failure of Copenhagen summit. Recently, some scholars have studies on Eurozone crisis and its impact on EU governance and integration. However, little attention has made on EU climate leadership change after the economic crisis. Therefore, it will be worthwhile to study on the impact of the Eurozone crisis on EU climate change leadership especially focusing on the changes in EU policy making actors so that it may contribute to fill the research gap.

2. Theoretical Framework

Multi-level governance approach

The field of EU studies had been dominated by the theories of neo-functionalism and inter-governmentalism until Multi-level governance was first proposed by Gary Marks (1992) as a useful concept to understand some of decision-making dynamics

²⁶ Fraser Cameron, *The European Union as a Model for Regional Integration* (2010) available from <http://www.cfr.org/world/european-union-model-regional-integration/p22935>

within the European Union.²⁷ Neo-functionalism focuses on the role of supranational institutions such as the European Commission while Inter-governmentalists believe that sovereignty rests with the EU's member states and the supranational institutions are considered as agents of the member states. However, EU's decision making cannot be explained properly only with supranational authority or individual states' interest as these days more diverse set of actors, which may be public and private, institutional and non-institutional, national and transnational, participate in diverse EU policy networks.

Multi-level governance approach emphasizes both the increasingly frequent and complex vertical interactions between governmental actors and the increasingly important horizontal dimension, as non-state actors increasingly mobilized in cohesion policy-making and in the EU polity more generally.²⁸ The core assumption of the multi-level governance is that political authority is dispersed across levels : 'authority and policymaking influence is shared across multiple levels of government – sub-national, national and supranational'.²⁹

²⁷ Simona Piattoni, *Multi-level governance in the EU. Does it work?*, University of Trento, (2009) available from <https://www.princeton.edu/~smeunier/Piattoni>

²⁸ Elin Lerum Boasson and Jørgen Wettestad, *EU Climate Policy-Industry, Policy Interaction and External Environment*, MPG Books Group, UK (2013) 14

²⁹ Ibid. 14

The EU climate change policy falls under the shared competence³⁰ of member states and European institutions, and multiple non-state actors such as environmental NGOs and business and industrial lobbies and citizens participate in the EU and national climate change policy making through official or unofficial channels as the Figure 1 shows below.

Therefore, multi-level governance approach would be good to be applied in this paper for analyzing the impact of Eurozone crisis on EU climate change policy-making and eventually on EU leadership.

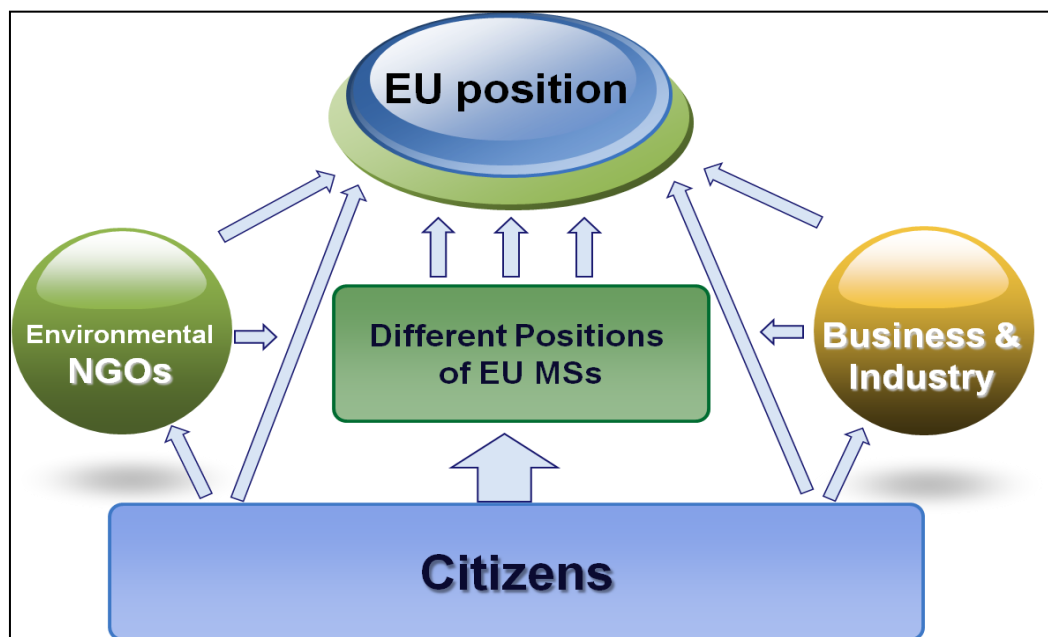


Figure 1. EU multi-level climate governance

Source : Author's own elaboration adapted after Creitaru 2008 and Barnes 2011

³⁰ Shared competence means that both the EU and its member states may adopt legally binding acts in the area concerned.

According to multi-level governance approach, there are lots of participants involving in EU decision making for climate change policy. Among various actors, actors below will be selected and analyzed in this paper.³¹

① *The European institutions* : Different from classic international organizations, the European institutions, especially the European Commission, is a multi-purpose supranational executive with its own political leadership that is able to act relatively independently from national governments.³² As the formal agenda-setter, legislation initiator and implementation supervisor, the EU institutions such as the Commission, the European Parliament and the European Council play a crucial role on the configuration of environmental policy.

② *The Member States* : Even though the authority of the EU institution has enhanced and other non-state actors play increasingly important role in EU climate decision making, still the sovereignty of the Member states are one of the most important determinants in EU decision making.

③ *Business group* : Business group, as the most powerful interest group, is also

³¹ Environmental NGO was not included for the analysis since it would not change its position toward climate change issue during the economic crisis as its *raison d'être* is environmental protection.

³² Morten Egeberg "European Government(s) : Executive Politics in Transition," *West European Politics* Vo.31, Nos. 1-2, 235-257, January-March (2008).

an important player in EU climate change policy making. Industry and business lobbies exert a considerable influence on the climate change policy making at national, European and international levels alike.

- ④ *Citizens* : Citizens are also very important actors in EU climate policy making since public opinion affects on policy position of all decision making powers such as the EU institutions, the member states and even business group through various channels.

By tracking down the position changes of EU policy making actors before and after the crisis broke out, the paper will try to elucidate the impact of the Eurozone crisis on the EU leadership in climate change. Specifically, the impact on the EU leadership will be analyzed by estimating the impact on three different modes of leadership – structural leadership, directional leadership and instrumental leadership. The starting point of the Eurozone crisis is when Greece Socialist government announced that the predecessor disguised the country's public debt problem and admitted that the public debt is 113% of GDP in 2009. Analysis of the position changes will be centered investigating and comparing the positions on 2020 climate and energy package which entails a comprehensive EU climate policy initiative proposed in 2007 and adopted in 2008, with the positions on 2030 climate and energy framework proposed in early 2014.

Primary documents : Position papers submitted to EU public consultation on 2030 green paper for a climate and energy framework, Eurobarometer 2008 & 2014 on Europeans' attitudes towards climate change, Conclusions of European council meetings 2005-2013, Annual European Union greenhouse gas inventory 1990-2012

Chapter III EU MULTI-LEVEL GOVERNANCE AND CLIMATE CHANGE LEADERSHIP

1. “Joint-decision trap” in EU multi-level system

The EU seems to have structural deficiency in providing political leadership because decision-making powers are dispersed amongst EU institutional, member states and societal actors.³³ Because the EU organizations and member states share functional responsibilities in main issue areas, they both exert influence over the EU policy making.³⁴ Business groups and industry as well as environmental NGOs also interact with governmental and parliamentary organizations at national and European level to reflect their interests in EU decision making. Moreover, public opinion and media exercise influence over the behavior of all the policy-making actors above. Here we do not find stable patterns of domination and subordination, but a wide range of public and private actors collaborate and compete in shifting coalitions.³⁵ That is, neither the EU institutions nor member states have the centralized authority in EU policy making, and political authority is dispersed across diverse policy making actors including the EU

³³ Wurzel and Connelly 2011, 9

³⁴ Rainer Eising, Multilevel governance and business interests in the European Union. *Governance : An International Journal of Policy, Administration, and Institutions*, 17(2) (2004) 215

³⁵ Gary Marks and Liesbet Hooghe, *Contrasting visions of multi-level governance*, in *Multi-level Governance*, edited by I. Bache and F. Flinders. Oxford: Oxford University Press (2004) 21

institutions, member states, various interest groups, NGOs, and European citizens. Gary Marks, therefore, proposed multi-level governance approach to explain the EU's decision making dynamics.

Generally, the more levels of decision-making (and hence veto points) there are, the more likely policies are to be blocked or watered down, thereby resulting into political stalemate and what EU scholars have termed "joint decision traps"³⁶. Fritz W. Scharpf's renowned "joint decision trap" is, therefore, understood to often arise in the multi-level EU governance system when central decision-making depends on the nearly unanimous agreement of member states and where their policy preferences diverge significantly. The different interests and perspectives of member states can make finding common ground difficult³⁷ and they often resulted in decisional stalemate. That is, the multi-level governance structure has often led the EU into political stalemate with a wide range of veto actors.³⁸

2. Factors behind the successful EU leadership in Climate Change

Despite all these constraints, the EU has successfully developed into a leader in

³⁶ Fritz W. Scharpf, The Joint-decision trap : Lessons from German Federalism and European Integration, Public Administration, Vol.66 (1988)

³⁷ Schreurs and Tiberghien 2007, 21

³⁸ Weale, Environmental Rules and Rule-making in the European Union, Journal of European Public Policy, 3(4) (1996)

international climate change politics, showing that decisional stalemate can be overcome in EU multi-level governance. Then, what made the EU climate change leadership possible in a relatively leaderless system of ‘governance without government’³⁹?

To many people’s surprise, the very absence of a single point of central leadership became an enabling rather than a constraining factor in EU climate change leadership.⁴⁰ And the leadership has developed from many places at the same time without a central leadership point. Among EU’s 28 member states, several EU institutions and various interest groups, some actors with sufficient motivation will always come forward to lead the rest toward a higher level of ambitious climate action and polycentricity, therefore, forms a political basis for the escalation of policy ambition.⁴¹ Moreover, Schreurs and Tiberghien explained the EU’s leadership role as the result of a dynamic process of competitive multi-level reinforcement among the different EU political poles within a context of decentralized governance.⁴² The logic here is the reverse of that of ‘veto points’ explained in “joint decision traps”. Anthony Zito also supported this logic, arguing that decision points are not necessarily veto points, but they can also be “leadership

³⁹ James N. Rosenau and Ernst Otto Czempiel, *Governance Without Government : Order and Change in World Politics*, Cambridge University Press (1992)

⁴⁰ Andrew Jordan et al, *Climate Change Policy in the European Union*, Cambridge University Press (2010) 261-262

⁴¹ Ibid. 261-262

⁴² Schreurs and Tiberghien 2007, 22

points” depending on circumstances.⁴³

In this chapter, I will try to explore key success factors that have contributed to successful EU leadership in climate change from an actor-focused perspective.

① Leadership by EU institution

The EU institutions’ ambition for climate leadership can be explained as part of an effort to deepen political integration within Europe as well as strengthen the power of Europe in global politics. Although concern about global climate change dates back as far as the 1950s, the EU’s involvement in national environmental matters was beginning to accelerate after the adoption of the Single European Act (SEA) in 1987.⁴⁴ Through the SEA, the legal basis for action by the EU on climate change was initially provided and climate change was included as part of the portfolio of the Environment Commissioner.⁴⁵ In 1990, the European Council declared that the EU should play a leading role in promoting concerted and effective action at the global level and urged all countries to adopt possible targets and strategies for limiting emissions of greenhouse gases,⁴⁶ and the

⁴³ Anthony Zito, 2000. *Creating Environmental Policy in the European Union*. New York : St. Martin’s Press

⁴⁴ Jordan et al 2010, 56

⁴⁵ Pamela M. Barnes, *The role of the Commission of the European Union in The European Union as a Leader in International Climate Change Politics*, Routledge (2011) 44

⁴⁶ Sebastian Oberthür and Claire Dupont, *The Council, the European Council and international climate policy, in The European Union as a Leader in International Climate Change Politics*, Routledge (2011) 77

new Environment Commissioner, Carlo Ripa di Meana also pushed the EU to adopt an ambitious climate change policy stance in the same year, seeing climate change as an opportunity to demonstrate the EU's identity as an international actor.⁴⁷ The 1992 Maastricht Treaty went a step further making the environment an explicit responsibility of the Community, giving the Commission greater powers to represent member states in international organizations and with third parties, and calling upon it to promote measures to deal with regional and worldwide environmental problems.⁴⁸ Since then, the EU has gradually enhanced leadership in climate change regime, and played a significant role in international climate change negotiations with their negotiating skills and ability to provide scientific expertise.

In 1996, the European Council contributed to set up EU climate leadership by endorsing the goal that global warming must be limited to no more than 2°C above the pre-industrial level.⁴⁹ The EU's climate leadership began to stand out, in particular, as the Council continued the EU's commitment to ratify the Kyoto Protocol when the US refused to support it and withdrew from it in 2001. Additionally, the Commission proposed to adopt the EU's Emission Trading Scheme (EU-ETS) which was the most

⁴⁷ Alberta M. Sbragia and Chad Damro 1999, 66

⁴⁸ Schreurs and Tiberghien 2007, 27

⁴⁹ Parker and Karlsson 2010, 9-10

far-reaching of the Commissions' legislative proposals on climate change and showed instrumental leadership in 2005 as the EU-ETS came into force even if some member states initially opposed its proposal⁵⁰.

On the other hand, the EU institutions have long been advocates of ecological modernization and tried to reframe climate change not only as a threat but also as an opportunity to modernize economy.⁵¹ The concept of ecological modernization assumes that ambitious environmental policy measures can be beneficial for both the environment and the economy. This concept underpinned the 2020 climate and energy package and Commission President Barroso argued that the package provided a 'win-win' strategy, not only reducing global greenhouse gas emissions and saving energy costs, but also stimulating innovation, fostering growth and creating jobs.⁵² Since 2005, the European Council has dealt more frequently with climate change issues while coming to gradually accept a concept of ecological modernization. The European Council have also paid increasing attention not only to the threat of climate change but also to the opportunities which ambitious climate change policies provide for modernizing Europe's economy and improving energy security.⁵³

⁵⁰ Pamela M. Barnes 2011, 49

⁵¹ Wurzel and Connolly 2011, 14

⁵² Ibid. 52-53

⁵³ Ibid. 281

In sum, the EU institutions have played a central role in overcoming the joint decision trap through unilateral supranational decision as Scharf pointed in his recent work⁵⁴, and have contributed to the EU climate leadership by proposing and adopting an ambitious climate policy and brokering agreements between differing interests, as well as by spreading the concept of ecological modernization throughout Europe.

However, policy-making in the EU is not confined to the EU institutions as elaborated in the multi-level governance approach in the previous chapter. Since the EU institutions share policy-making powers with the member states, second success factor in EU leadership will be explained from the member states perspectives.

② Leadership by Powerful Member States

The EU's leadership position in international climate change politics has been supported by many of its member states as well. Especially the three largest and influential member states including France, the UK and Germany have taken up the leadership role to push European climate policy forward in climate change negotiation. These powerful member states have held the rotating Council presidency at key moments

⁵⁴ Patrick Müller & Peter Slominski, Agree now – pay later : escaping the joint decision trap in the evolution of the EU emission trading system, *Journal of European Public Policy*, 20:10 (2013) 1428

and contributed in successful agreement of 2020 climate and energy package⁵⁵, which contains quite an ambitious climate change policy target.

First of all, the UK has taken on a sustained leadership role in climate change politics, both in terms of achieving emission reduction domestically, and influencing political processes at EU level and beyond.⁵⁶ By achieving impressive emission reduction domestically, the UK has exercised directional leadership. Moreover, it has achieved notable international diplomatic successes as the EU's presidency in the second half of 2005. Faced with the real prospect of stalemate at the UN climate change conference in Montreal, the combined efforts of the EU and the Canadian hosts facilitated a decision to initiate talks on the future development of the global climate regime.⁵⁷ The UK's support for the 2020 climate and energy package including its aggressive domestic target was also driven in part by its goal of establishing the city of London as a leader in global carbon markets.⁵⁸

When it comes to Germany's leadership role, it is to a high degree characterized by demonstration effects and leadership by example. As early as 2007 Germany had

⁵⁵ Anders Hayden, *Europe's Climate and Energy Policy : Lessons for Canada in Sharing the Effort of Emissions Reductions?*, Dalhouse EUCE Occasional Paper No.11 (2011) 15

⁵⁶ Tim Rayner and Andrew Jordan, *The United Kingdom A paradoxical leader?* In *The European Union as a Leader in International Climate Change Politics*, Routledge (2011), 104

⁵⁷ Ibid. 104

⁵⁸ Hayden 2011, 12

surpassed its ambitious Kyoto target (-21 percent), achieving a 21.3 percent reduction of its greenhouse gas emissions compared to the 1990 base year.⁵⁹ More importantly, Germany has promoted the idea of ecological modernization in its industry by achieving the economic success and the enormous boom in its domestic climate protection industry at the same time.⁶⁰ It also played an important role as a Council presidency in the first half of 2007 when the 2020 climate and energy package proposal was endorsed by Heads of State meeting in the European Council. In a meeting, the German Chancellor Angela Merkel pushed Heads of State to accept that climate change had to be tackled effectively and urgently.⁶¹

France has exerted directional leadership in terms of domestic emission reductions by achieving significant greenhouse gas emission reductions before other nations. France reduced emissions from 563.3 million tonnes in 1990 to 541.3 million tonnes in 2006, a cut of 4 percent.⁶² More importantly, France achieved the significant reductions with its economic growth at the same time. Whereas French GDP grew by 19% between 1990 and 2000, industrial emissions of CO₂ fell by 2%, achieving considerable ‘decoupling’ in

⁵⁹ Martin Jänicke, *German climate change policy. Political and economic leadership in The European Union as a Leader in International Climate Change Politics*, Routledge (2011), 129

⁶⁰ Ibid. 129

⁶¹ Andrew Jordan & Tim Rayner : 74

⁶² Joseph Szarka, *France’s troubled bids to climate leadership in The European Union as a Leader in international Climate Change Politics*, Routledge (2011) 114

terms of carbon intensity.⁶³ When the 2020 climate and energy package was negotiated and finally approved, France took the leadership role during the presidency term in the second half of 2008. President Sarkozy took it as a unique opportunity to exercise leadership and put it first before anything else to finalize agreement on the 2020 package. He managed to broker agreement in the December 2008 European Council and finally achieved the agreement.⁶⁴

In sum, the three big member states have led proactive climate action and supported the EU's climate leadership as they considered it as an opportunity for boosting their domestic economy as well as for strengthening their leadership position in the EU. Their leadership roles often played out in particularly strong ways at times when they held the presidency of the European Council.

We have found so far that the EU's progressive and proactive stance on climate change resulted from simultaneous pushing by the leadership from greener member states and the EU institutions.⁶⁵ However, not only these traditional main policy making actors but also many interest groups give a meaningful influence in EU environmental policy making as the European treaty stipulates that the EU is committed to ensuring the

⁶³ Ibid. 114

⁶⁴ Ibid. 119

⁶⁵ David Benson & Andrew Jordan, Environmental Policy in Michelle Cini, ed., *European Union Politics* (Oxford: Oxford University Press, 2013) : 333

participation of interest groups in the policy process as a principle of good governance.⁶⁶

③ Fear of reputational damage and perception of climate change as an opportunity

Business interest organizations make up the largest share of interest groups in the EU.⁶⁷ Fear of reputational damage has been a major driver of business response. The Brent Spar episode shows a company can be damaged if its actions, even if they are legal, are seen as harmful to the environment⁶⁸ and it was “the pivot on which a more general business re-appraisal of the environment took place”.⁶⁹ Since more politically and environmentally aware consumers may exert substantial influence on the actions of business, business seeks to make them appear more environmentally friendly than they actually are. This fear of reputational damage actually changed business response to climate change as Exxon Mobil did. Exxon Mobil, which has been an active funder of climate change skeptics in the pre-Kyoto period, launched a new television advertising

⁶⁶ According to Article 11(2) of the Treaty on European Union (TEU), the EU institutions ‘shall maintain an open, transparent and regular dialogue with representative associations and civil society’. And according to Article 11(3) TEU, the ‘European Commission shall carry out broad consultations with parties concerned in order to ensure that the Union’s actions are coherent and transparent’.

⁶⁷ Rainer Eising & Sonja Lehringer, Interest Groups and the European Union in Michelle Cini, ed., *European Union Politics* (Oxford: Oxford University Press, 2013) : 190

⁶⁸ Wyn Grant, Business, The Elephant in the room? in *The European Union as a Leader in International Climate Change Politics*, Routledge (2011) 199

⁶⁹ Grant Jordan, Shell, Greenpeace and the Brent Spar, Basingstoke: Palgrave (2000) 8

campaign in 2008 that described the challenge of developing energy in an environmentally friendly way and stopped funding the Competitive Enterprise Institute, a Washington think tank that ran television advertisements which said that CO₂ is helpful.⁷⁰

On the other hand, green growth business group supported the EU's active climate change action. Green industry such as renewable energy firms and some of large companies who see climate change more as an opportunity rather than as a threat has formed a proponent business group of EU climate change leadership. The European Business Council for Sustainable Energy (e5) with wide range of interests such as renewable and energy efficiency businesses was founded in 1996⁷¹ and since then, rapidly enhanced its influence in EU decision making.

However, it does not mean that there were just few voices of dissent on climate change issue inside the business group. Even though energy intensive group, which is one of the traditionally strongest interest group in EU policy-making, was still in opposition of proactive climate action, the influential power of business group had weakened because they could not make one unified voice in EU decision making by being divided between pro-climate action group versus anti-climate action group.

⁷⁰ Wyn Grant (2011) 200

⁷¹ Ibid. 205

④ Public Support

Wide public support for EU climate action can further explain why the reluctant member states or European industry could not derail Kyoto in the way that American industry did.⁷² According to Coen, the most successful lobbyists are not necessarily those who paid the highest political contributions, but those who extract the broadest support from the greatest number of actors.⁷³ For this reason, the anti-climate action group, in particular, the anti-climate action business coalitions, could not exert successful influential power in EU climate policy making since they lack of public support as well as they were not a unified representative of whole business group.

EU environmental policy in general and climate change policy in particular has received strong support from the member states' general publics. This affirmative public sentiment has developed with the increasing awareness that Europe is vulnerable to climate change⁷⁴ as they have experienced more frequent extreme weather events such as the unusual heat wave of summer 2003 in Europe. The Europeans' belief on Europe's proactive climate action as a means to reinforce EU's position in international arena has

⁷² Schreurs and Tiberghien 2007, 28

⁷³ David Coen (2005), *Environmental and Business Lobbying Alliances in Europe: Learning from Washington?* In *The Business of Global Environmental Governance*, edited by David L. Levy and Peter J. Newell, Cambridge, MA: MIT Press, 210

⁷⁴ EEA(2004), *Impact of Europe's changing climate*, EEA Report No.2, 17

also fueled this positive public sentiment toward taking ambitious climate policy at the EU level. According to the 2008 Eurobarometer survey, 62 percent of Europeans responded that “climate change as the most serious problems facing the world” and climate change was ranked as second priority issue just right after the first priority issue which is “poverty, lack of food and drinking water”.⁷⁵ Amid this wide spread support, opponents of climate action were not able to socially construct climate change as a non-pressing issue, as they have done to a considerable degree in the United States despite the scientific evidence.⁷⁶

All in all, the EU has been able to develop proactive climate policy ahead of other countries and exert successful climate policy in international arena thanks to a combination of EU institutions’ leadership, strong member states’ leadership, business groups’ fear of reputational damage and perception of climate change as an opportunity, as well as affirmative public attitude toward proactive climate action. Here, EU’s belief on ecological modernization and its ambition for positioning itself as a world leader have played an important role on the behaviors of EU institutions, several EU member states such as Germany, France and the UK, and green industry. Moreover, Europeans

⁷⁵ Special Eurobarometer 300, September 2008, available at http://ec.europa.eu/public_opinion/archives/ebs/ebs_300_full_en.pdf

⁷⁶ Hayden 2011, 10-11

perception toward climate change has importantly worked to step up proactive climate policy both at the national level and the European level, as well as to limit actions of negative group against proactive climate policy such as energy intensive industry.

Chapter IV EUROZONE CRISIS AND ITS IMPACT ON EU CLIMATE CHANGE POLICY-MAKING

The sovereign debt crisis in the Euro area occurred in late 2009 with the near default of Greece and has ever since dominated policy making in the EU. In response to the crisis, the EU has taken various measures to ensure financial stability, recover economic growth and improve economic governance. However, huge rescue packages, numerous intergovernmental negotiations, new institutions such as the European Stability Mechanism (ESM), new rules of conduct such as the revised Stability and Growth Pack, the sovereign bond buying programs by the European Central Bank (ECB) as well as reforms in the heavily indebted countries have not solved the crisis until today.⁷⁷

As standard international trade theory predicts that the lifting of barriers to trade and to the free movement of factors across countries not only enhances the general economic welfare of the integrating area as a whole, but would also causes income per capita to converge among its member countries, the creation of a European Monetary Union (EMU) in 1999 was widely expected to become a catalyst for further economic integration and convergence within Europe.⁷⁸ However, the economic crisis in Europe

⁷⁷ Stefan A. Schirm, *The Domestic Politics of the Euro Crisis : Societal Foundations of Policy Divergence* (2013), available from http://www.eisa-net.org/be-bruga/eisa/files/events/warsaw2013/Schirm_TheDomesticPoliticsOfTheEuroCrisisSocietalFoundationsOfPolicyDivergence.pdf

⁷⁸ Carmela Martín et al. *European Integration and Income Convergence 2001 European Integration and Income convergence, Lessons for Central and Eastern European Countries*, World Bank Technical Paper No.

has led to a greater divergence of the economies of the European countries in terms of economic situation and performance. The fall in GDP in Greece, Portugal, Spain and Italy accentuated the divergence with the stronger countries such as Germany, Austria and Luxembourg.⁷⁹ (Figure 2) Moreover, the crisis has caused considerable dispersion in unemployment rates between PIIGS countries, which stand for Portugal, Ireland, Italy, Greece and Spain, versus wealthy countries such as Germany, Luxembourg and Austria.⁸⁰

(Figure 3)

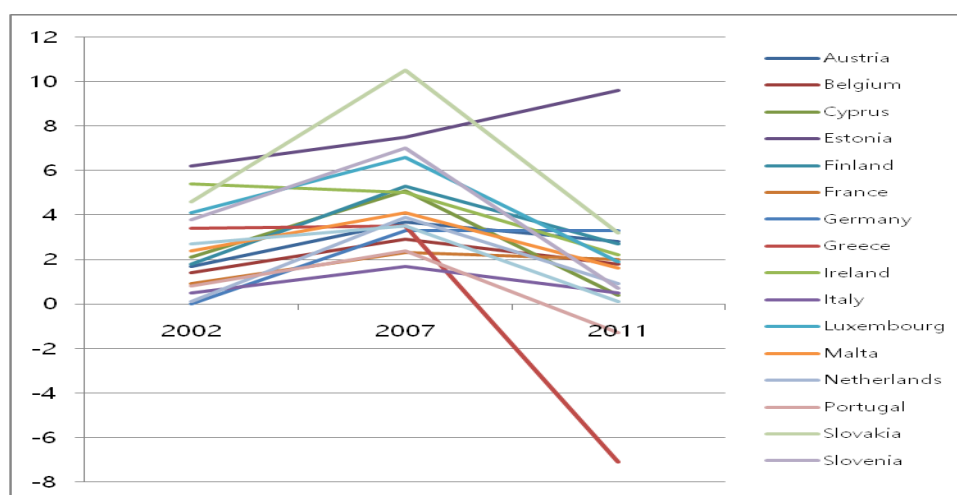


Figure 2. Real GDP growth rate in Euro Area Countries (%)

Data source : Eurostat

514 (2001) 1

⁷⁹ Daniele Schilirò, Changes in the Eurozone governance after the crisis and the issue of growth, MPRA Paper No.51458 (2013), available from <http://mpra.ub.uni-muenchen.de/51458/>

⁸⁰ Ángel Estrada, Jordi Galí, & David López-Salido, Patterns of Convergence and Divergence in the Euro Area (2012), available from <https://www.imf.org/external/np/res/seminars/2012/arc/pdf/ELS.pdf>

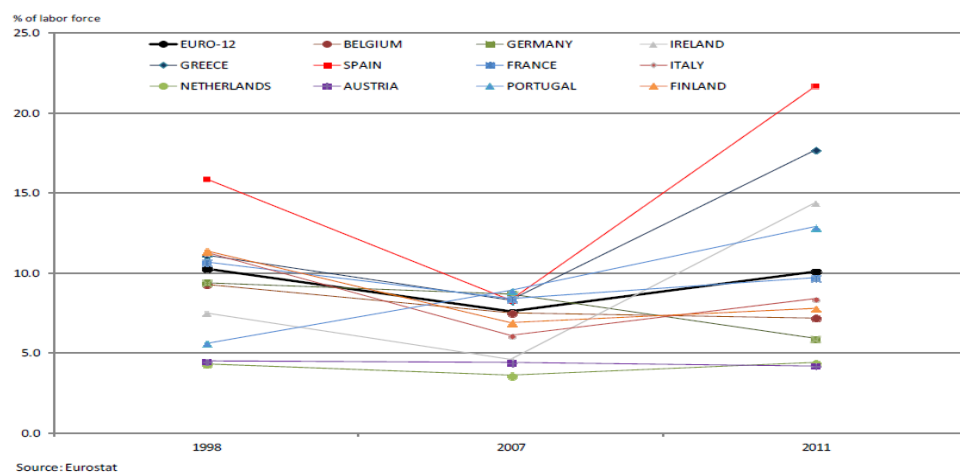


Figure 3. Evolution of the Unemployment Rate in Euro Area Countries
Source : Eurostat

The impact of the Eurozone crisis has been not only limited to EU economic sector, but also spread to EU climate change policy making. In this chapter, we will go through how the crisis has influenced on the success factors that each EU climate policy making actor had contributed to develop EU climate leadership and see consequently how it would impacted on overall EU climate policy making.

1. Impact on EU Institutions

Climate change issue has continuously been an important agenda in EU negotiation until the economic crisis occurred, as we can see climate change issue came up at all European Council meetings during 2005-2009. However, this climate change

issue has dropped out of the top priority in EU agenda as the EU has been preoccupied with regional economic recovery after the Eurozone crisis broke out. The number of the meetings dealt with climate issue has decreased from 2010 (Figure 4). According to conclusions of European Council meetings, only 2 meetings out of 5 in 2011, and only 1 meeting out of 4 in 2012 skated over climate issue as the table shows. Therefore, we can expect there has been little opportunity prepared to bridge the different positions of the member states toward climate change policy and it would lead to deepen the divergence among them. The result also seems to appear that the EU institution does not support for the concept of ecological modernization any more during the Eurozone crisis.

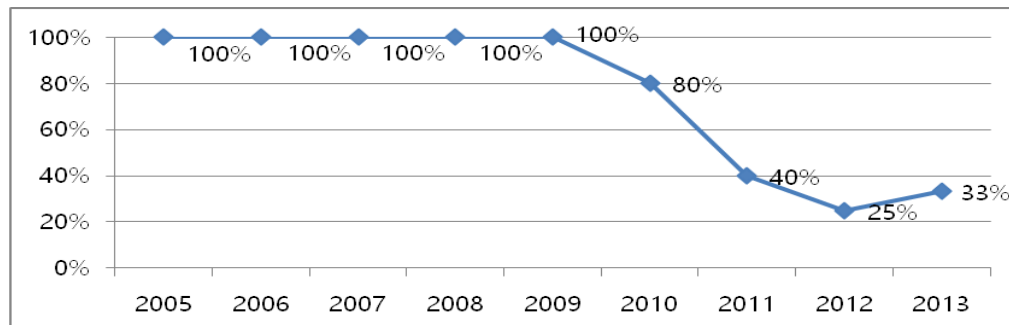


Figure 4. Number of European Council meetings dealt with climate issue⁸¹

Source : Author's own counting from the Conclusions of European Council meetings

⁸¹

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
No. of meetings dealt with climate issue	3	3	3	4	4	4	2	1	2
Total No. of meetings held on that year*	3	3	3	4	4	5	5	4	6

* Special meetings or unofficial meetings are excluded in counting

2. Impact on Member States

“Mutual leadership reinforcement” (Schreurs and Tiberghien 2007) among the strong member states has not happened after the Eurozone crisis. All three countries cut subsidies for renewable and slashed budgets for climate control.⁸² The UK are now strongly against setting a renewable target for 2030 climate and energy proposal. The German government hasn’t expressed its official position on EU level climate change action and didn’t submit its position paper in EU consultation for the Green Paper on a 2030 framework for climate and energy policies. French government also has not had a clearly defined position after the 15th round of UN climate talks in Copenhagen in 2009 even though the French president, Sarkozy, personally pushed strongly for a 30% step-up during COP 15.⁸³ In other words, there is no specific member state willing to be the leader of EU climate change action any more.

Moreover, many eastern European member states show flat objection on proactive climate action. Traditionally many eastern European member states were reluctant states towards climate action even before the crisis, and yet, no state saw it in their interests to

⁸²Alex Morales and Ewa Krukowska, “Pollution fight fading as European leaders battle crisis”, Bloomberg, November 23, 2012, accessed September 18, 2014, <http://www.bloomberg.com/news/2012-11-23/pollution-sets-record-as-euro-crisis-slows-climate-drive.html>
Heather Horn, “As Euro Crisis worsens, global climate efforts lose biggest leader”, the Atlantic, December 6, 2011, accessed September 18, 2014, <http://www.theatlantic.com/international/archive/2011/12/as-euro-crisis-worsens-global-climate-efforts-lose-biggest-leader/249481>

⁸³ Jakob Skovgaard, EU climate policy after the crisis, Environmental Politics, Vol. 23 (1), (2014) 4

express outright opposition to the EU climate change initiative or could weaken it to the extent that it could not be effective.⁸⁴ However, the imminent economic downturn became a good justification for them to argue against the strong climate action at the expense of economic recovery.

More importantly, the member states' response to the Green Paper on a 2030 framework for climate and energy policies shows internally growing divergence among them. While in case of 2020 climate and energy package, the debate was not much on whether to set an ambitious target, but more focused on how to apportion out an ambitious reduction target among the member states, this time debate seems to move not only on the appropriate level of ambition but also on whether to set only one CO2 emission reduction target or to set three targets as '20-20-20 targets' in 2020 package. There are mixed views on the usefulness of renewables' and energy savings' targets.⁸⁵ For instance, the Czech Republic, Poland, and the UK argue for one, only on greenhouse gas reductions, while Denmark, Austria and France favour a renewable energy target, and Denmark and Portugal support a mandatory energy savings target. Member states with high share of renewable in their national electricity mix⁸⁶ tend to be favorable to set a

⁸⁴ Hayden 2011, 15

⁸⁵ The EU Commission, Green Paper 2030 : Main outcomes of the public consultation, 2014, available from http://ec.europa.eu/energy/consultations/20130702_green_paper_2030_en.htm

⁸⁶ Data for share of renewable energy in each country is based on EurObserv'ER Report 2013, "The State of

renewable target in the new EU climate policy. Austria, Denmark and Portugal, which are proponent countries of renewable target, are 3 countries of 5 top-ranked EU member states with the largest share of renewables in the electricity production mix. France also has large installed capacity of renewables (top 4 in terms of total installed renewable capacity) and shows favorable response to renewable target. On the other hand, Germany and Italy, which are top 1 member state and top3 member state respectively in terms of total installed renewable capacity countries as well as have strong energy intensive industry, didn't submit their official response to the consultation. It could mean that they were in difficult position to reflect only one side of opinion in their official response.

Overall, the growing divergence among member states with no lead state shows that it has become difficult to have consensus from the initial stage of negotiation on the new EU climate policy and they have long way to go to pass the package.

Country	Binding GHG reduction targets	Binding renewables targets	Binding energy efficiency targets
Austria	+	(+)	-
Cyprus	-	-	-
Denmark	+	+	+
Estonia	+	(+)	(+)
Finland	(+)	(+)	-
France	+	(+)	(+)
Italy*	+	-	-
Lithuania	(+)	(+)	(+)
Netherlands*	+	-	-
Poland	(+)	-	-
Portugal	(+)	(+)	+
Romania	(+)	-	-
Slovenia	(+)	Open	-
Spain	+	-	-
The UK	+	-	-

* no official responses submitted to the consultation

Table 2. Selected member states' responses to the European Commission's green paper for 2030 climate and energy framework⁸⁷ (+ = Yes, (+) = Conditional support, - = No)
Source : Ibec

⁸⁷ The Commission received 550 formal submissions, which included replies from 14 Member states, including : Austria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Poland, Portugal, Romania, Slovenia, Spain and the United Kingdom. Other respondents included companies, trade associations, NGOs and civil society interests groups, trade unions, and citizens. The responses to the consultation are available at http://ec.europa.eu/energy/consultations/20130702_green_paper_2030_en.htm

3. Impact on Business groups

Amid wide public support for EU climate leadership, fear of reputational damage has triggered business group to respond climate change before the economic crisis. The oil and coal, motor vehicle, heavy energy-using industries and civil aviation had still remained a real obstacle, but climate change denial was no longer a respectable option,⁸⁸ because climate change was a moral issue to the European people at that time. In 2008 report of Alliance of a Competitive European Industry (ACEI), it said that they supported the EU's objective to act as a climate leader, at the same time, cautiously expressing concern over carbon leakage and full auctioning of CO₂ allowances.⁸⁹ However, they started to take a strong stance against EU's post 2020 climate action plan, seeing climate action as a luxury good in the face of the economic crisis. The Confederation of European Business (BusinessEurope)⁹⁰ has pushed the idea that Europe should change focus from stopping climate change to cost issues and energy security.⁹¹ Additionally, in 2014 open letter of ACEI, they call for an energy and climate policy which is supportive of manufacturing industry and argue that Europe's goals in the area of cost-competitiveness

⁸⁸ Wyn Grant 2011, 210

⁸⁹ ACEI, Ensuring a positive contribution to the future of Europe (2008), available from <http://www.bes-europe.eu/content/default.asp?PageID=568&DocID=21309>

⁹⁰ BusinessEurope, formerly the Union of industrial and Employers' Confederations of Europe (UNICE), is the primary European employers' association and was set up in 1958 (Rainer Eising and Sonja Lehringer: 190)

⁹¹ BusinessEurope Recommendations for a 2030 Framework for Energy and Climate Policies, June 2013, available from <http://www.bes-europe.eu/content/default.asp?PageID=568&DocID=31830>

and security of supply as well as its climate objectives must be put on an equal footing.⁹² Moreover, the massive lobby effort has mounted by fossil fuel companies and heavy industry which has managed to convince senior politicians of the idea that ‘green’ legislation cannot be allowed in times of economic crisis.⁹³ Green growth industry group such as renewable energy industry has still supported for EU climate leadership, arguing that EU’s green growth policy can boost economy as well as respond climate change problem. That is, the European economic crisis is used for justification for supporting both parties’ argument. However, the deteriorating economic situation seems to strengthen the hands of energy-intensive industries when comparing both parties’ wish list and the EU Commission’s proposal. On the Commission’s proposal for 2020 Climate and Energy policy, BusinessEurope’s wishes don’t seem to be reflected that much, whereas their wishes have noticeably reflected on the Commission’s proposal for 2030 Climate and Energy Policy (Table 3 & 4).

⁹² ACEI, Open Letter 19 February 2014, available from <http://www.buinesseurope.eu/content/default.asp?PageID=568&DocID=32692>

⁹³ Climate and Energy, “Industry lobby gutted Europe’s climate ambitions”, Corporate Europe Observatory, March 19, 2014, accessed October 7, 2014, available from <http://corporateeurope.org/pressreleases/2014/03/industry-lobby-gutted-europe-climate-ambitions>

	Industry against strong climate action (BusinessEurope) ⁹⁴	Green growth industry (EREC) ⁹⁵	Commission proposal ⁹⁶
2020 energy and climate package	The 20% emission reduction target is only acceptable only if the EU plan is to get this target shared at international level	-	The 20% emission reduction target, offer to increase its emission reduction to 30% by 2020 if other major economies commit to undertake their fair share of a global emissions reduction effort.
	A 20% binding target for the share of renewable energy is not a wise investment policy	Call for a binding 20% renewable energy target by 2020 as well as national sectorial targets	A 20% binding EU level target as well as binding national targets(Ranging from 10% in Malta to 49% in Sweden)
	Ambitious targets for nuclear energy is needed	Prioritize funding of renewable energy projects	-

Table 3. What industry wants and what gets for 2020 energy and climate package

Source : BusinessEurope, EREC, EU Commission

⁹⁴ Statement by BusinessEurope President Ernest-Antoine Seilliere on the EU Climate Change Strategy and the Energy Package proposed by the European Commission on 10 January 2007, 27 February 2007

⁹⁵ EREC, Renewable Energy Technology Roadmap 20% by 2020, available from www.erec.org

⁹⁶ The EU climate change and energy package proposal by Commission, 23 January 2008, available from http://ec.europa.eu/clima/policies/package/documentation_en.htm

	Industry against strong climate action (BusinessEurope) ⁹⁷	Green growth industry (EREC) ⁹⁸	Commission proposal ⁹⁹
2030 energy and climate framework	Europe has to put cost-competitiveness, security of supply and climate objectives on an equal footing	Three targets are needed not despite but because of the economic, social and environmental crisis. Job creation in the RES sector is critical to Europe's competitiveness	Competitiveness of heavy industry becomes a goal of the climate and energy framework for 2030
	The EU should set a single 2030 emissions reduction target... Due to their overlapping scope with the EU ETS, the EU targets for energy efficiency and renewable energy sources should not be continued after 2020	The EU should set ambitious and legally binding targets for RES, EE and GHG. The targets should be established at European level and broken down at national level	The Commission proposes one single target-emissions reduction, with a symbolic objective for renewable. In the previous climate and energy package (goals until 2020) the EU had also agreed on an energy efficiency target and a nationally-binding renewable energy target.
	Phase out support for the market deployment of energy produced from renewable sources	Phase out subsidies to fossil fuels and nuclear energy and increase support for renewable energy	The Commission proposal says subsidies for renewable will have to be phased out.

Table 4. What industry wants and what gets for 2030 energy and climate framework

Source : BusinessEurope, EREC, EU Commission

⁹⁷ BusinessEurope Recommendations for a 2030 Framework for Energy and Climate Policies, June 2013, available from <http://www.busesseurope.eu/content/default.asp?PageID=568&DocID=31830>

⁹⁸ EREC Answer to the Green Paper A 2030 framework for climate and energy policies, available from http://ec.europa.eu/energy/consultations/20130702_green_paper_2030_en.htm

⁹⁹ A policy framework for climate and energy in the period from 2020 to 2030, January 2014, available from http://ec.europa.eu/clima/policies/2030/docs/com_2014_15_en.pdf

4. Impact on Public Opinion

The long standing public acceptance in the EU on climate change issue has been changed in the face of the imminent economic crisis. According to Eurobarometer survey¹⁰⁰ (Table 5), 62% Europeans considered climate change as the most serious problem facing the world and only 24 % Europeans chose the economic situation in 2008. At that time, climate change was ranked second, much higher than the economic situation which was ranked fifth. However, their perception has changed and now economic situation became perceived to be more pressing issue to Europeans than climate change problem. In 2013, the economic situation was ranked second with 58% of European support, while climate change issue has been put on the backburner after the economic situation.

More specifically, in 18 out of 27 member states, the priorities between climate change and the economic situation has changed. It is especially noticeable that in many of eastern European member states, the ranking of climate change has dropped by more than 1 level while many of EU 15¹⁰¹ member states still consider climate change is more serious problem than the economic situation. In case of Estonia and Latvia, the ranking of

¹⁰⁰ Eurobarometer Survey 2008 & 2013

¹⁰¹ EU 15 are member states in the EU prior to the accession of ten candidate countries on 1 May 2004, which include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom

climate change has declined even by 4 levels from 1st to 5th whereas the ranking of the economic situation has climbed up by 4 levels. However, different from other EU 15 member states, PIIGS countries – so called the epicenter of the Eurozone crisis which include Portugal, Italy, Ireland, Greece and Spain - chose the economic situation as more serious problem to tackle than climate change. This result shows that EU citizens' perception toward climate change has become more divergent due to the economic crisis.

Issue	Climate Change				The economic situation			
Year	2008		2013		2008		2013	
Unit	%	Rank	%	Rank	%	Rank	%	Rank
EU 27	62	2	50	3	24	5	58	2
Belgium	61	2	56	2	26	5	51	3
Bulgaria	52	3	35	5	27	5	72	2
Czech Republic	45	3	38	4	16	7	69	1
Denmark	71	2	73	2	21	8	41	3
Germany	71	2	70	2	31	5	38	4
Estonia	58	1	28	5	22	6	59	2
Greece	90	1	53	3	38	4	87	2
Spain	61	2	44	3	20	5	81	2
France	71	2	46	3	20	8	60	2
Ireland	63	1	41	3	43	4	58	2
Italy	47	3	49	3	22	6	78	1
Republic of Cyprus	92	1	43	3	19	8	88	2
Latvia	66	1	33	5	26	5	61	1
Lithuania	58	1	41	3	34	5	70	1
Luxembourg	69	2	50	2	16	8	38	4
Hungary	71	2	46	3	35	4	66	2
Malta	64	1	58	2	11	8	48	4
The Netherlands	66	2	57	2	12	8	39	5
Austria	69	1	70	2	31	5	65	3
Poland	50	2	38	4	11	7	47	2
Portugal	47	2	33	3	32	5	72	2
Romania	60	1	38	3	32	5	70	2
Slovenia	80	1	57	3	27	5	72	2
Slovakia	66	1	45	3	23	7	72	2
Finland	73	1	59	3	26	8	36	3
Sweden	74	2	81	2	10	8	27	6
The United Kingdom	57	2	44	3	24	6	40	4

Table 5. Public opinion on climate change and economic situation (2008 vs. 2013)

Source : Eurobarometer 2008, 2014

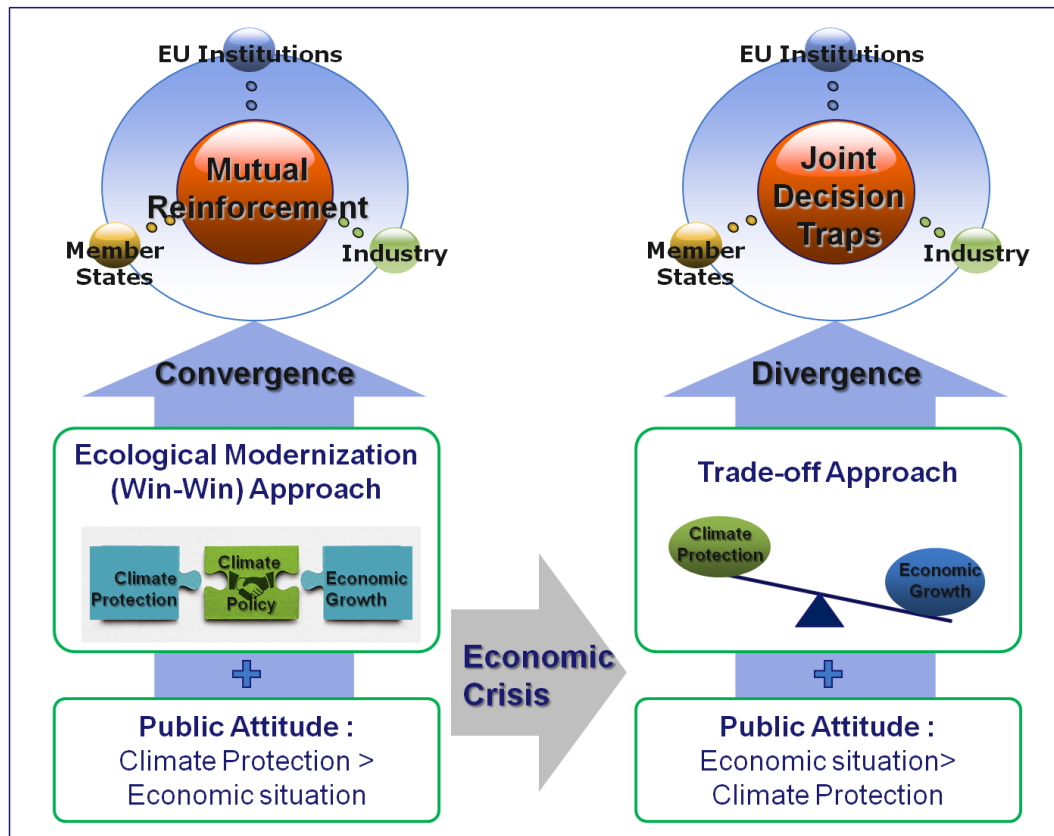


Figure 5. Impact of Eurozone crisis on EU climate policy making

Source : Author's own elaboration

All in all, the analysis result shows that the Eurozone crisis has impacted negatively on each EU decision making actor so that EU climate change policy making becomes difficult to step forward. The logic of ecological modernization seems to have been discredited during the Eurozone crisis. The positive belief on mutual achievement of climate protection and economic growth through climate change policy has subsided.

Instead, concerns over ambitious climate action that might harm competitiveness of European economy have been spread around the Europe as the economic crisis increased the focus on the costs of climate change policies.¹⁰² Finally with the call for economic recovery and growth dominating the European agenda, the arguments of cost effectiveness and competitiveness are used against climate policy proposals to tackle the urgency of the climate crisis.¹⁰³

When belief on ecological modernization was dominant around the EU, it was relatively easy to gain support on ambitious climate policy not only from environmentally friendly groups but also from business groups by emphasizing the possibility of achieving both climate protection and economic growth at the same time. Amid the converging mood toward ecological modernization and public support, EU's various decision making powers have played not as veto points but as leadership points, which has initiated "mutual leadership reinforcement" among them toward proactive climate action.

However, the economic crisis has rapidly increased the concern on loss of

¹⁰² Karin Bäckstrand & Ole Elgström, *The EU's role in climate change negotiations: from leader to 'leaditor'*, *Journal of European Public Policy*, 20:10 (2013) 1374-1375

¹⁰³ Silvia Brugger, "European climate leadership under siege – the 2030 climate and energy debate", Heinrich Böll Stiftung, October 7, 2013, accessed October 7, 2014, available from <http://www.boell.de/en/2013/10/07/european-climate-leadership-under-siege-2030-climate-and-energy-debate>

economic competitiveness caused by ambitious climate action and thus, shaken belief on ecological modernization. Finally, the EU has diverged as anti-climate action groups have apparently raised their voices than before the crisis. Moreover, the change in public attitude toward climate policy has accentuated this move. That is, in the face of the economic crisis, EU decision making actors have become no more than multiple veto points in EU multi-level governance, which has resulted in “joint decision trap”. As no member state has taken the climate leadership position, and little opportunity has been provided to discuss climate change issue at the EU level during the crisis, the divergence has been growing even more during the crisis.

Chapter V EU DIVERGENCE AND ITS IMPACT ON EU CLIMATE CHANGE LEADERSHIP

Since the Eurozone crisis, the EU's climate leadership seems to be losing credibility, which is indeed an important factor for any actor that aspires to be an effective leader.¹⁰⁴ This chapter will explore the impact of Eurozone crisis on EU climate change leadership, especially focusing on EU divergence, which has been growing after the crisis as the previous chapter elaborated.

In the analytical framework section, a distinction was made among structural, instrumental and directional leadership, and the previous literatures have demonstrated that EU has successfully exercised a combination of all three modes of leadership in climate change politics. In this chapter, we will go through how each mode of leadership has suffered from a lack of credibility after the crisis, and show that the Eurozone crisis has not only a direct and negative impact on all three modes of leadership but also an indirect and fatal impact on them by splitting the EU internally (Figure 9).

¹⁰⁴ Parker and Karlsson 2010, 23

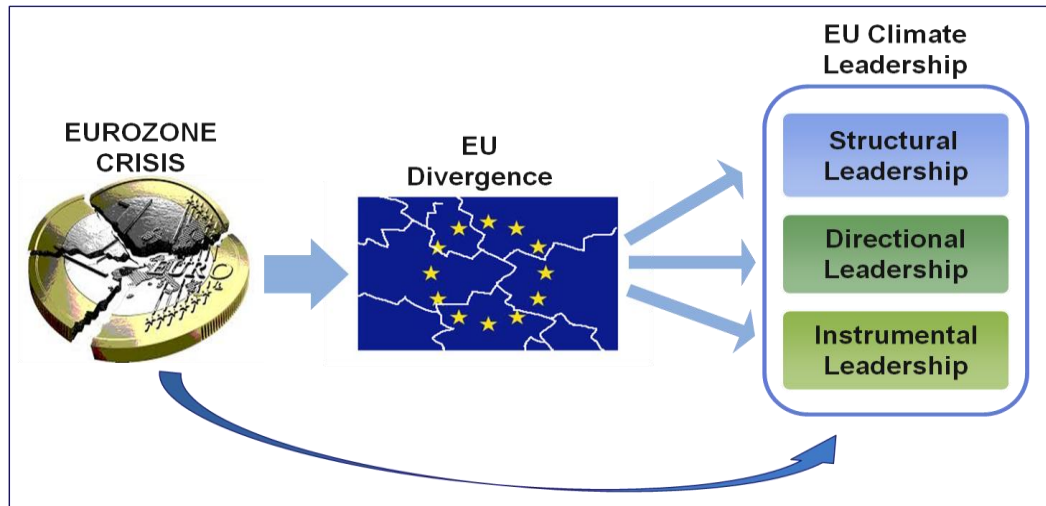


Figure 6. Impact of Economic crisis on EU climate leadership

Source : Author's own elaboration¹⁰⁵

1. Impact on EU Structural Leadership

First of all, the economic recession obviously hit the EU's structural leadership by reducing its economic power as the Figure 6 shows. The EU had taken more than 30% until 2008 in terms of the share of global GDP, but the EU share has rapidly decreased since 2009 when the Greek sovereign debt problem became an issue, and as of 2013, it takes only about 24%.¹⁰⁶ The structural leadership could be effective to change other's behavior or preferences when the threats or positive inducements are credibly enough to

¹⁰⁵ Image for Eurozone crisis is taken from

<http://21centurymanifesto.wordpress.com/2013/04/08/financialisation-the-euro-and-the-crisis/>

Image for EU divergence, from <http://numero57.net/2012/02/07/on-this-deity-the-maastricht-treaty/>

¹⁰⁶ World Bank national accounts data, and OECD National Accounts data files, available from <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

convince others. During the crisis, the EU has lost its bullet to use carrots or sticks to threaten or convince others, and most importantly, the other parties now have doubts on the EU's economic power.

In relations to an issue area of climate change, structural leadership is also based on the size of both present and future emissions, as well as the economic resources.¹⁰⁷ The economic crisis has decreased not only EU's economic power but also the share of its emissions. The EU's continued ambitious effort to reduce its own emissions has contributed to this decreasing pattern of EU's share of global emissions to the world, but recent fall in European carbon emissions can be better explained with the EU's economic

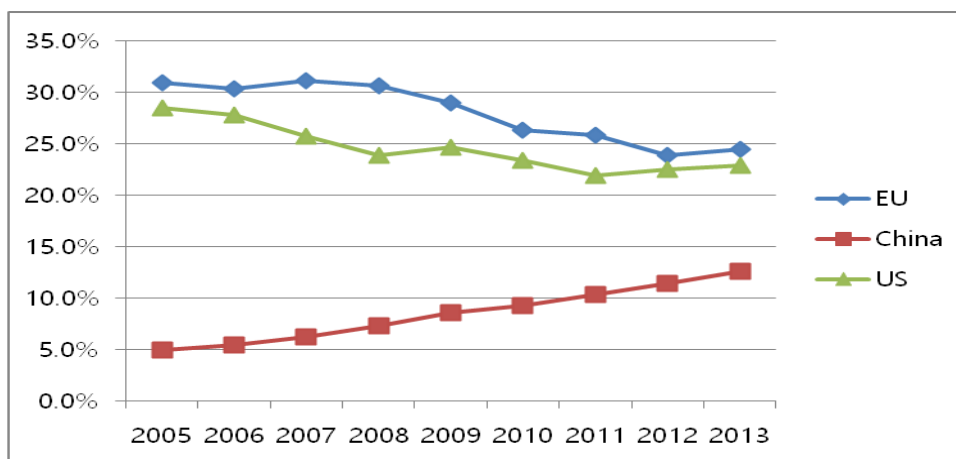


Figure 7 : EU share of Global GDP (2005-2013)

Data Source : World Bank

¹⁰⁷ Grubb & Gupta, *Leadership. Theory and Methodology* in Gupta & Grubb (eds) *Climate Change and European Leadership. A Sustainable Role for Europe?*, Kluwer Academic Publishers, (2000b) 19

recession since 2009 whereas the emissions from other parts of the world continue to grow.¹⁰⁸ As of 2012, the EU carbon emissions is third largest emitting region with 11% share of global emissions, following China and the US, which takes 29% and 15% respectively¹⁰⁹. Since it means that the EU is now a ‘relatively minor power in terms of global emissions’¹¹⁰, while the US, China and other emerging economies are the countries that really matter in any lasting climate solution, this could be interpreted as a decline in the EU’s structural leadership capacity, and as eroding the Union’s ability to play a leading role.¹¹¹ (Figure)

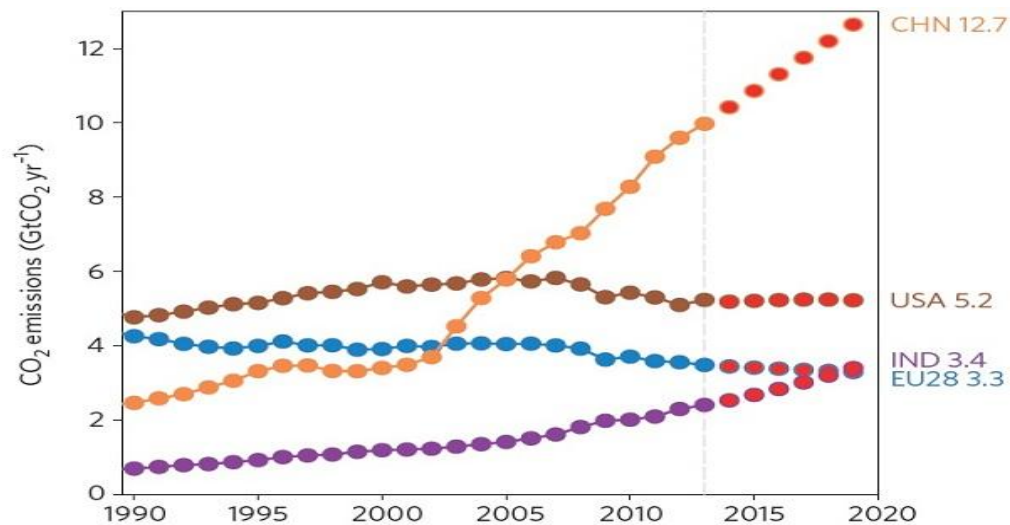


Figure 8. The CO₂ emissions from the top 4 emitters (China, US, EU, India)

Source : Friedlingstein et al. (2014)

¹⁰⁸ http://ec.europa.eu/clima/policies/g-gas/index_en.htm

¹⁰⁹ Trend in Global CO₂ Emissions 2013 Report. Available from

http://edgar.jrc.ec.europa.eu/news_docs/pbl-2013-trends-in-global-co2-emissions-2013-report-1148.pdf

¹¹⁰ Curtin 2010

¹¹¹ Bertil Kilian and Ole Elgström, *Still a green leader? The European Union's role in international climate negotiations*, *Cooperation and Conflict* 45(3), (2010) 267

The EU's structural leadership has been more weakened due to the growing divergence in the EU during the economic crisis. The EU can have influential structural power only when the EU can play as a united actor in the international arena. Nowadays, even the EU as a whole does not have enough structural power to coerce or induce others, and then, it is almost impossible for the divided EU to exert structural leadership to the world. In this way, the EU's structural power lacks credibility and eventually its structural leadership has become seriously undermined during the economic crisis.

However, the EU's weakened structural power is not a problem arisen only from the economic crisis, but a problem that has been long continued as its share of World GDP and the share of global carbon emissions have decreased due to rapidly emerging countries, in particular, China. The structural power of the EU can help but it cannot dominate and is not sufficient to make all developing countries into followers, as there is not enough money to buy Chinese or Indian agreement.¹¹² Although the EU has occasionally exercised a structural leadership as it did when Russia was persuaded to ratify Kyoto in exchange for the EU backing their WTO membership,¹¹³ the EU has exhibited more instrumental and in particular, directional leadership rather than structural

¹¹² Bertil Kilian and Ole Elgstrom 2010, 264

¹¹³ Parker and Karlsson 2010, 25

leadership. Therefore, we had better now turn into the focus on the impact on the other two modes of leadership.

2. Impact on EU Directional Leadership

The EU has solidified its climate leadership especially by exerting directional leadership. The EU has exercised directional leadership in climate change politics by making the first move ahead of others and providing an exemplary model so that others will want to follow. Two important mechanisms are working here in directional leadership. Firstly, by taking the first step the leader proves his dedication to a proposed solution.¹¹⁴ The leader may relieve others' anxiety on the risk of being the only one choosing cooperative behavior in solving climate change which may corresponds to the tragedy of the commons logic, requiring global collective action but difficult to get,¹¹⁵ and in this way can be more persuasive in convincing others to follow as they do not run the risk of being the only one opting for cooperative behavior.¹¹⁶ Secondly, leading by example is to actually demonstrate the feasibility of a proposed solution. Effective directional leadership is accordingly dependent on whether others perceive the leader as

¹¹⁴ Parker and Karlsson 2010, 25

¹¹⁵ Bernauer 2013, p.4

¹¹⁶ Parker and Karlsson 2010, 25

someone who keeps his word and works to meet the commitment it made.¹¹⁷

In terms of trends of carbon emission reduction, the EU is well on track toward its 20% reduction target by 2020. Total emissions, without Land Use activities and Land-Use Change and Forestry (LULUCF) activities, in the EU-28 decreased by 19.2% between 1990 and 2012 (1082 million tonnes CO₂ equivalent)¹¹⁸. When considering the

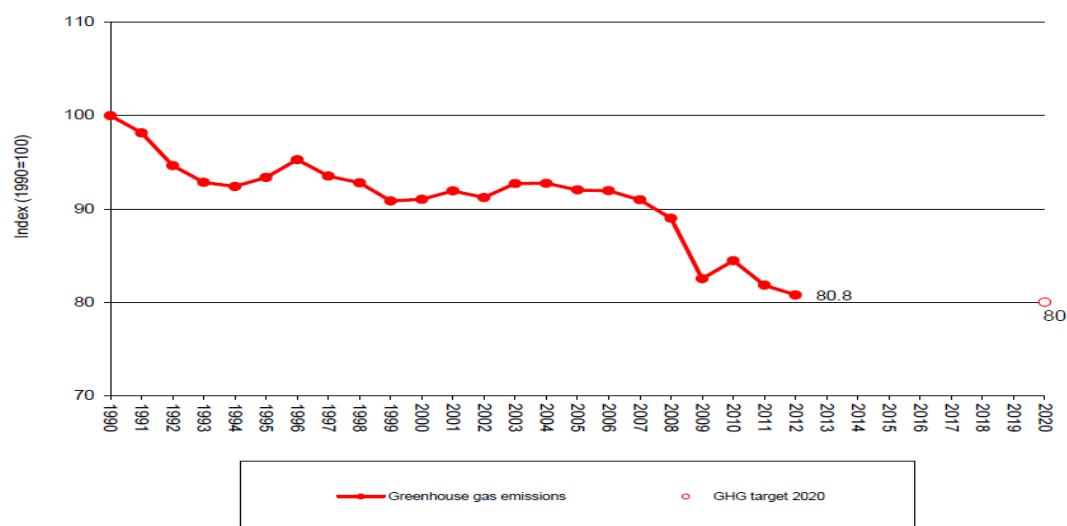


Figure 9. EU-28 GHG emissions 1990-2012 (excl. LULUCF)¹¹⁹

Source : European Environment Agency

¹¹⁷ Parker and Karlsson 2010. 25

¹¹⁸ European Environment Agency, Annual European Union greenhouse gas inventory 1990-2012 and inventory report 2014, available from <http://www.eea.europa.eu/publications/european-union-greenhouse-gas-inventory-2014>

¹¹⁹ Note : GHG emission data for the EU-28 as a whole refer to domestic emissions(i.e. within its territory) and do not include emissions and removals from LULUCF; nor do they include emissions from international aviation and international maritime transport. CO₂ emissions from biomass with energy recovery are reported as a Memorandum item according to UNFCCC Guidelines and are not included in national totals. In addition, no adjustments for temperature variations or electricity trade are considered. The global warming potentials are those from the 1996 revised IPCC Guidelines for National Greenhouse Gas Inventories. Note that the 80% EU target for 2020, under the EU Climate and Energy Package, includes international aviation and it is therefore not directly comparable with the 1990-2012 GHG emissions shown in the graph. For more details, see “Annual European Union greenhouse gas inventory 1990-2012 and inventory report 2014” EEA Technical report No.9 (2014)

scope of the EU's 2020 climate and energy package, which includes emissions from international aviation, the reduction of 2012 EU emissions is about 18%, compared to 1990 levels, that is, therefore, very close to reaching the 20% reduction target. With the current set of national domestic measures in place, EU emissions are expected to reach a level in 2020 which is 21% below 1990 levels.¹²⁰

However, it seems that the early achievement has been possible not only due to the EU's mitigation effort but also due to the recent economic crisis in the EU, as illustrated by the parallel drop of emissions in 2009, when the economic crisis occurred and the further drop in 2011-2012 during the continued European economic stagnation.

Moreover, the economic crisis exposed a fatal weak point in the EU-ETS, once so highly acclaimed internationally as a nearly ideal instrument for reducing carbon emissions in an efficient and self-regulating process.¹²¹ This cap and trade system determines a cap for certain period of time ahead and let market mechanism work in the system and achieves the original goal, which is emission target. But unfortunately, because it estimates the appropriate amount of certificates in the market based on

¹²⁰ European Environment Agency, Trends and projections in Europe 2013, available from <http://www.eea.europa.eu/publications/trends-and-projections-2013>

¹²¹ Alexander Jung, "Hot Air : The EU's emission trading system isn't working, Spiegel, February 15, 2012, accessed 27th October, 2014, available from <http://www.spiegel.de/international/business/hot-air-the-eu-s-emissions-trading-system-isn-t-working-a-815225.html>

business-as-usual scenario, it cannot reflect future economic situation properly in the system. Since sluggish economic growth in the EU means demand for allowances is low, the price of certificates has plunged from EUR 30 to EUR 7 so that the system has not been working properly during the economic crisis. More seriously, this glut of certificates not only depresses prices, it also reduces the incentive for climate action such as investment in energy efficient technology and penalties for polluters as the Kyoto Protocol allows parties holding surplus certificates by the end of the commitment period

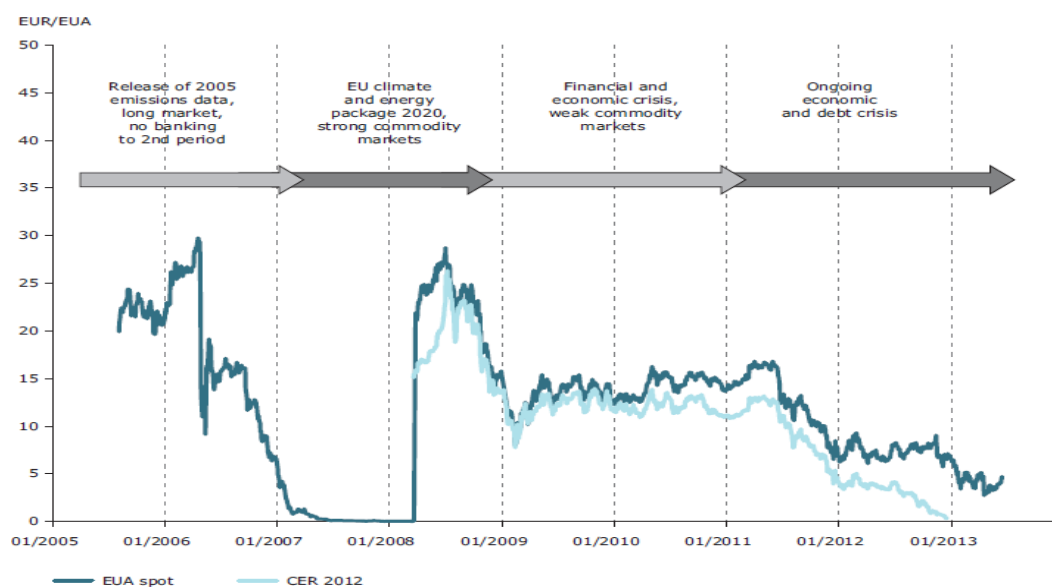


Figure 10. Price trends for EUAs¹²² and CERs¹²³, 2005-2012

Source : European Environment Agency

¹²² EU allowances : The emission target of the EU ETS is determined by the total amount of EUAs which are available to the regulated entities either through free allocation or purchases or auctions. For more details, see Skjærseth, Jon Birger, and Wettstad, Jørgen, "EU Emission Trading : Initiation, Decision-making and Implementation", Ashgate, Great Britain, 2008

¹²³ Certified Emission Reductions : According to the Linking Directive (EU, 2004b), certified emission reductions, from the Clean Development Mechanism, were allowed from 2005 and emission reduction units (ERUs), from Joint Implementation, from 2008.

to stockpile them to be used during the next trading period. It means that current unused surplus certificate could be directly transformed into future rights to pollute.¹²⁴

The EU-ETS has strengthened the EU directional leadership by adopting this ambitious and experimental policy instrument ahead of others and implementing the system quite successfully until the economic crisis disclosed the loophole. Therefore, if the EU is to be an exemplar for how the world should address the challenge of climate change, its member states must demonstrate that the major policy instrument it has chosen to reduce GHG emissions, the EU-ETS, works.¹²⁵ That is, the failure of the EU-ETS could seriously undermine the EU's directional leadership. In this way, the economic crisis may discourage other countries with a plan to introduce the ETS in their countries by exposing the loophole in the current EU-ETS.

Most importantly, the growing divergence in the EU makes it even more difficult to take an ambitious climate action that can be helpful to solidify the EU's directional leadership. The EU has never tried any noticeable climate policy instrument after the 20-20-20 target. Moreover, 2030 climate and energy proposal by the EU Commission

¹²⁴ Carbon Market Watch, "4 billion tonnes of hot air in the EU could turn the proposed 40% climate target into merely 26%" September 24, 2014, accessed October 27th 2014, available from <http://carbonmarketwatch.org/eu2030-loopholes/>

¹²⁵ Parker and Karlsson 2010, 18

which grabbed many people's attention is generally said to be less ambitious and often criticized as disappointing by many environmental NGOs. Main differences between the 2020 framework and 2030 proposal include 40% CO₂ emissions reduction target by 2030 compared to 1990, no binding national targets for the share of renewable energy, and no binding target for energy efficiency. Except for the CO₂ target, the proposal apparently seems to be retreating from the previous climate ambition. It is more disappointing when considering that under the current EU's carbon market the "hot air" (reduction of GHG emissions due to a decrease in economic activity¹²⁶) is automatically carried-over in the 2030 climate framework, making 9% of phantom rights to pollute in the proposed 40% target.¹²⁷ There is also high possibility that the proposal will become even less ambitious during the negotiation among the member states as the proposal generally contains the most ambitious version of the Commission and it becomes moderate through the negotiation process until its adoption by the Council and the Parliament. The internal divergence over the new climate and energy proposal also undermines the credibility necessary for effective directional leadership by prompting others to doubt its future inability to meet the commitment.

¹²⁶ Followed the definition by Andrei Marcu in submission report to the EC, available from http://ec.europa.eu/clima/consultations/docs/0017/organisations/ceps_en.pdf

¹²⁷ Carbon Market Watch, "4 billion tonnes of hot air in the EU could turn the proposed 40% climate target into merely 26%" September 24, 2014, accessed October 27th 2014, available from <http://carbonmarketwatch.org/eu2030-loopholes/>

In sum, the Eurozone crisis has seriously undermined the EU's directional leadership by decreasing credibility stemming from ineffective implementation and internal divergence.

3. Impact on EU Instrumental Leadership

In Instrumental leadership, two dynamics are at work. Firstly, it involves efforts to change perceptions regarding the problem at hand and secondly, it consists of making new proposals and suggesting innovative solutions.¹²⁸ In terms of efforts to change perception towards climate change, the EU has tried to recast climate policy from a purely environmental problem to one which encompasses energy security issues and the modernization of economy into a low-carbon economy.¹²⁹ In 2000s, the EU, especially with the help of successful German case, seemed to prove that economy growth decouple with climate change action. It has promoted green industry in other countries as well such as the US, Korea and China. Position change of the EU from emphasis on ecological modernization for addressing climate change and promoting economic growth at the same time to more emphasis on industry competitiveness during the crisis has disturbed the credibility on the concept of ecological modernization.

¹²⁸ Parker and Karlsson 2010, 24

¹²⁹ Ibid.

This mode of leadership also relies on the force of the better argument and the entrepreneurial skill to bring new information and solutions to the table.¹³⁰ Expectably, that is why internally united voice is important for effective instrumental leadership in international negotiation. If the world comes to view the EU as being internally divided on the climate issue, this could indeed damage its credibility on the EU's actorness and it greatly decrease its negotiation power. Additionally, in case of internal dissent in the EU, it is difficult for the EU to interact with third parties at the negotiations because it loses a lot of time at the negotiation with internal coordination. The problem of EU divergence was already on full display at the 15th round of UN climate talks in Copenhagen in 2009 (COP 15), which was considered a failure of EU leadership by many scholars (Egenhofer et al. 2009; Groen et al. 2012). Groen and Niemann, in particular, pinpointed that a lack of preference cohesion, grounded in conflicting national interests, has been responsible for the rather modest overall degree of EU actorness at the Summit.¹³¹ The EU's growing divergence frustrated EU to exercise leadership again at the COP 18 in Doha in 2012. At that time, the EU states with financial woes were unable to find a common position on the

¹³⁰ Ibid. 24

¹³¹ Lisanne Groen & Arne Niemann, 2012, The European Union at the Copenhagen Climate Negotiations : A Case of Contested EU Actorness and Effectiveness, *Mainz Papers on International and European Politics*, 2012/01. Mainz: Chair of International Relations, Johannes Gutenberg University. P.17

‘hot air’ issue,¹³² ending up with showing little leadership at the negotiation¹³³ even though some of European youth groups and global environmental NGOs criticized of the lack of EU leadership, saying that it is time for the EU to take the lead again and commit further.¹³⁴

In sum, the EU’s instrumental leadership has been undermined by losing credibility on ecological modernization and losing negotiation power in the international negotiation due to the internally growing divergence.

¹³² Note : How to deal with ‘hot air’ issue was one of the hot issues in Doha. There are the 13 billion left over pollution permits (which is almost three times of what the 27 EU member states emitted each year) from the first Kyoto commitment period, and most of them are the result of accounting dealings and not actual emissions reductions. Countries including Poland, Russia and Ukraine wanted to keep their hot air and use it in the new commitment period while many argue that it is essential to burst the bubble in a second phase of the Kyoto trading scheme in order to make it effective to solve the global climate issue. (available from <http://carbonmarketwatch.org/bursting-kyotos-hot-air-bubble-cop18-analysis/>)

¹³³ The Greens/ European Free Alliance in the European Parliament, Outcome of the COP 18 climate negotiations Doha – December 2012, available from <http://stopclimatechange.net/fileadmin/content/documents/climate%20policy/Climate-web-Outcome-of-the-COP%2018.pdf>

¹³⁴ Simon Molesworth, Where is the leadership at COP 18, 2012, available from <http://www.latrobe.edu.au/news/articles/2012/article/where-is-the-leadership-at-cop18>

Chapter VI CONCLUSIONS

1. Conclusions

Briefly, this study has found that (a) the Eurozone crisis has diverged EU not only in its economic situation, but also in climate policy making, and that (b) the crisis has both directly and indirectly hampered EU's leadership in international climate politics.

Since 1990s, EU has successfully developed its leadership position in international climate politics, overcoming "joint-decision trap" in multi-level policy making system. EU's belief on ecological modernization and its ambition for positioning itself as a world leader have played an important role on the behaviors of EU institutions, several EU member states such as Germany and the UK, and green industry. Additionally, competitive multi-level reinforcement among various EU policy making actors has accentuated their proactive climate actions. Europeans' affirmative perception toward climate change has also importantly worked to step up proactive climate policy both at the national level and the European level.

However, the Eurozone crisis has changed the attitude of each policy making actor toward climate change policy, ending up greatly diverging the EU. The economic crisis has rapidly increased the concern on loss of economic competitiveness caused by

ambitious climate action and thus, shaken belief on ecological modernization. Finally, the EU has diverged as anti-climate action groups such as eastern European countries and intensive energy industry have apparently raised their voices than before the crisis. The change in public attitude toward climate policy, which now consider economic situation as more pressing issue than climate change, has accentuated this move. Moreover, as no member state has taken the climate leadership position, and little opportunity has been provided to discuss climate change issue at the EU level during the crisis, the divergence has been growing in EU climate change policy making. In divergent EU with economic difficulty, mutual reinforcement has not been working anymore, and various decision making actors turned out to become no more than multiple veto points, which leads to decisional stalemate in EU climate policy making.

This study also shows that not only the Eurozone crisis itself has impeded EU climate leadership but the EU divergence resulting from the Eurozone crisis also indirectly hampered all three modes of EU leadership - structural, directional and instrumental leadership. First, EU's structural leadership has weakened as its economic power has shrunk during the crisis and further weakened due to the growing divergence in the EU, lacking credibility on the structural power that can be influential to others only when the EU has a single voice. Second, the crisis has hit the EU's directional leadership

as well by decreasing credibility stemming from the failure of the EU-ETS, which is a symbolic climate policy instrument that showed EU's leadership by example. The crisis further hit the directional leadership by growing divergence, which makes it more difficult for the EU to step up negotiation toward ambitious climate actions that can be helpful to solidify the EU's directional leadership. Third, the economic recession has undermined the EU's instrumental leadership by losing credibility on ecological modernization with the increase of concern over loss of economic competitiveness caused by ambitious climate action. Moreover, it has reduced EU's negotiation power in the international negotiation by damaging credibility on the EU's actorness due to the internally growing divergence.

All in all, the Eurozone crisis has not only a direct and negative impact on all three modes of leadership but also an indirect and fatal impact on them by splitting the EU internally.

2. Implications

This study has proved that there have been good grounds for the concern on whether global climate regime would lose EU climate leadership in the face of the Eurozone crisis. The empirical research apparently shows that the Eurozone crisis has

diverged the EU in climate policy making and consequently, hit negatively on EU's climate leadership sources in all three modes of leadership. Then, does it mean the EU will not be able to maintain its leadership role in global climate change politics anymore?

The divergence inside the EU may reflect backwardness from the previous climate initiatives and yet, it is a straight fact that EU climate behavior, as it is, is still much ahead of others when compared to those of other countries. The EU showed its will to participate a second Kyoto commitment period and encouraged its member states to ratify the post Kyoto system, while other major emitters including the US, Canada, China and India indicated that they would not sign up to it.¹³⁵ However, it is doubtful whether the EU can be able to exert an influential leadership in order to induce other countries' participation in international cooperation for climate change. Not only the atmosphere inside EU is not favorable for the EU to exert leadership, but the atmosphere outside EU is also miserable. The noncooperative moves of US and China are not surprising as they have been continuously played as big obstacles to resolve the climate problem since the initial period of international climate negotiation. But the climate negotiations have come to a deadlock as Japan, Canada and Russia also announced that they would withdraw

¹³⁵ James Murray, "Bonn climate talks : EU plays down talk of Kyoto protocol rift", the Guardian, May 16, 2012, accessed November 3, 2014, available from <http://www.theguardian.com/environment/2012/may/16/bonn-climate-talks-eu-kyoto>

from the Kyoto system after the Durban conference under the grounds of domestic economic burden. It means that besides EU, all countries among the top 5 biggest emitters in Annex I countries - the US, Japan, Canada and Russia - are now outside of the Kyoto system. Against this backdrop, it is pessimistic on whether the EU can do make a breakthrough in global climate negotiation with lack of credibility of leadership sources, which resulted from the Eurozone crisis.

Putting EU leadership matter aside, it is also noteworthy that the EU climate initiative has been weakened due to the economic crisis. It is because it means the EU, so called global climate leader, may behave with no difference from other countries like the US or China when it faces with imminent economic crisis. If current climate regime doesn't work even for the EU, it will be definitely necessary to create a new and reformative approach to solve the problem in global climate politics. A discussion on the new approach for resolving climate change is beyond the scope of this study and remains to be addressed in follow up studies.

The result of this study shows that the economic difficulty has discouraged EU's climate change initiatives and consequently, negatively affected on EU's leadership in climate regime so far. However, it was difficult to figure out specifically which behavior of policy-making actors first triggered the divergence and this study also couldn't

conceptualize the mechanism clearly that drove divergence to be growing in EU climate policy making. It is not only because of the limitation in the multi-level governance approach¹³⁶ itself but also because of inaccessibility of materials such as meeting records between the EU institutions and interest groups, which was against my expectations. Moreover, the analysis of this study is only limited to the changes inside Europe after the Eurozone crisis broke out, and thus, cannot suggest the prospect for the future of EU leadership role. Additionally, whether the EU can maintain the climate leadership position in climate regime depends not only on the EU's climate change initiatives but also on behaviors of other competitive actors in the regime. Therefore, additional studies will be needed on other candidate countries for climate leader such as the US and China in order to diagnose EU climate leadership in a right way.

¹³⁶ The weakest point in the multi-level governance literature is that it lacks clear conceptualizations of the mechanisms that drive policy development. For more details, see (Elin Lerum Boasson et al. 2013 : 15)

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국문초록

기후변화는 전 세계가 당면한 가장 심각한 환경문제임에도 불구하고, 이 전지구적 공공재 문제 해결을 위한 국제 협상은 지지부진하다. 복잡한 기후변화 문제 해결에 있어 리더십이 중요한 역할을 하곤 하는데, 지금까지 유럽연합이 다층적 거버넌스라는 구조적 한계를 극복하고 국제 기후 정치에 있어 성공적인 리더로서 자리매김해왔다.

그러나 2009 년말 유로존 경제위기 이후 국제 기후변화 레짐이 가장 큰 리더를 잃는 것이 아닌가 하는 우려가 일고 있다. EU 는 현재 국제 기후변화 정치에 있어 유일하게 영향력 있는 리더이기 때문에, 경제 위기를 맞아 EU 마저 기후변화 리더십의 자리에서 물러날 것인가 하는 것은 초미의 관심사이다. 따라서, 이 연구는 “왜 그리고 어떻게 유로존 경제위기가 EU 기후변화리더십에 영향을 미치는가”에 대한 의문에 답하고자 한다. 먼저 국제 기후변화 정치에 있어 EU 리더십의 성공요인이 무엇이었는지를 정책결정 행위자를 중심으로 살펴보고, 유로존 경제위기 이후 이러한 성공요인에 어떠한 변화가 있었는지를 추적하여 분석한다. 그리고 마지막으로 이러한 변화가 종합적으로 EU

기후변화 리더십에 어떻게 영향을 미쳤는지를 평가하고자 한다.

본 연구는 결론적으로 유로존 경제위기가 경제부문 뿐 아니라 기후변화 정책결정에 있어서도 EU 를 분열시켰으며, 또한 유로존 경제위기가 직접적, 간접적으로 모두 EU 의 기후변화리더십을 저해했음을 보여주고 있다. 그러나 본 연구의 분석은 경제위기 이후 EU 내부의 변화에만 초점을 두고 있다는 점을 유념해야 하며, 보다 정확하게 EU 기후변화 리더십을 진단하기 위해서는 미국이나 중국 같이 국제 기후변화 정치에 있어 EU 와 경쟁적 관계에 있는 다른 국가들의 기후 행동에 대한 추가 연구가 필요할 것이다. 왜냐하면, EU 의 기후변화 리더십은 EU 의 기후변화 이니셔티브 뿐만 아니라, 다른 경쟁국가의 행보에 의해서도 결정될 수 있기 때문이다.

주요어: EU 기후변화 리더십, 유로존 경제위기, 다층적 거버넌스

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